



District of Columbia

# District of Columbia Economy

## Current Trends and Outlook

**September 14, 2016**



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## Current State of the District's Economy

**OVERVIEW:** Most recent economic indicators show moderate growth for District economy.

### Labor Markets and Personal Income

- DC gained 9,000 jobs (1.2%) in July 2016 compared to a year ago. (The federal sector was up by 3,133 (1.6%) and the private sector by 5,033 (1.0%))
- Resident employment grew by 10,724 (3.0%) in July. DC's unemployment rate was 5.9%, the lowest in over 8 years.
- DC Personal Income grew 4.3% in the March quarter, slightly less than the US average (4.4%).

### Housing

- For the 12-month period ending July 2016, single family sales were up 3.5% from the prior year, and average price was 4.8% higher. Condo sales were up 5.8%, but average price was 0.1% less.
- About 11,700 apartment units are under construction.

### Commercial Office Market

- In the quarter ending June 2016, occupied office space fell by 0.1%% from the prior year, but rents were 3.2% higher and new construction rose to 5.3 million square feet.
- The commercial office vacancy rate also rose slightly to 10.8% (including sublet), up from 10.4% a year earlier, but well below the metropolitan area average of 14%.

### Hospitality Industry

- The hospitality sector is seeing modest growth.
- For the 3-month period ending July the number of hotel room-days sold was up 1.3% from a year earlier, and revenues from room sales were up 3.2%.
- The average room-rate for hotels was 1.9% higher than for the same period a year earlier.



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## The District's population has been growing for a decade and is now a main driver of the economy



- D.C.'s population declined steadily from the end of World War II to 1998 (except for a brief period in the early 1960s). Since then, the population has grown. From 2010 to 2015 the population increased by 67,102 (11.1%), an average of more than 1,000 net gain per month.
- Over the past 5 years, population has grown faster than jobs located in DC.

Source: U.S. Bureau of the Census ; U.S. Bureau of Labor Statistics



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## The District's population is growing faster than employment

**DC Population and wage and salary employment located in DC: 2010 to 2015**

Calendar year	Population			Wage and salary employment		
	Number	Change from prior yr.		Number	Change from prior yr.	
		Number	%		Number	%
2010	605,126	11,326	1.9	712,242	10,859	1.5
2011	620,472	15,346	2.5	726,233	13,991	2.0
2012	635,342	14,870	2.4	734,792	8,558	1.2
2013	649,540	14,198	2.2	748,325	13,533	1.8
2014	659,836	10,296	1.6	753,567	5,242	0.7
2015	672,228	12,392	1.9	766,434	12,867	1.7
<i>Change from 10 to 15</i>		67,102	11.1		54,192	7.6
<i>Avg. annual change</i>		13,420			10,838	

- DC's population on July 1, 2015 was 672,228—12,867 (1.9%) more than a year earlier.
- Recent population growth has been mostly migration by younger adults. However a third has been natural increase (more births than deaths) as families with young children were not so quick to move out.

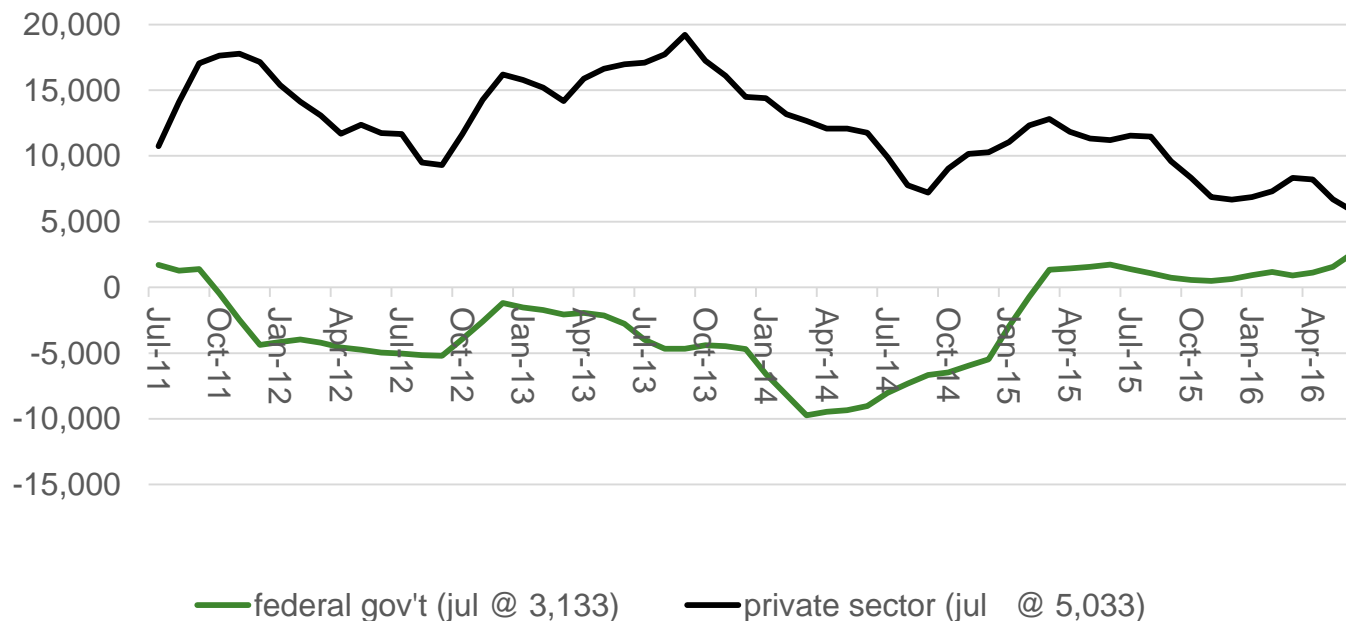
Source: U.S. Bureau of the Census ; U.S. Bureau of Labor Statistics



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## Private sector employment growth is slowing

Federal gov. and private sector wage and salary employment in DC: July 2011 to July 2016  
(Change from prior year in 3-month moving average)



- DC job growth has been slowing over the past year.
- Recent gains in federal employment have helped to offset slowing in the private sector.

Source: U.S. Bureau of Labor Statistics



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## Employment growth is slowing in some key sectors of DC economy

### Slowing employment in parts of DC's private sector: July 2015 to July 2016

	Change from prior yr.		% ch from prior yr.	
	July 2015	July 2016	July 2015	July 2016
<b><i>Selected sectors</i></b>				
Business and professional services	4,833	2,100	3.1	1.3
Health	900	33	1.4	0.0
Food services	2,633	700	5.4	1.4
Organizations	533	-433	0.8	-0.7
<b><i>Total private sector</i></b>	<b>11,533</b>	<b>5,033</b>	<b>2.2</b>	<b>1.0</b>

*Source: BLS, calculated from 3-month moving averages.*

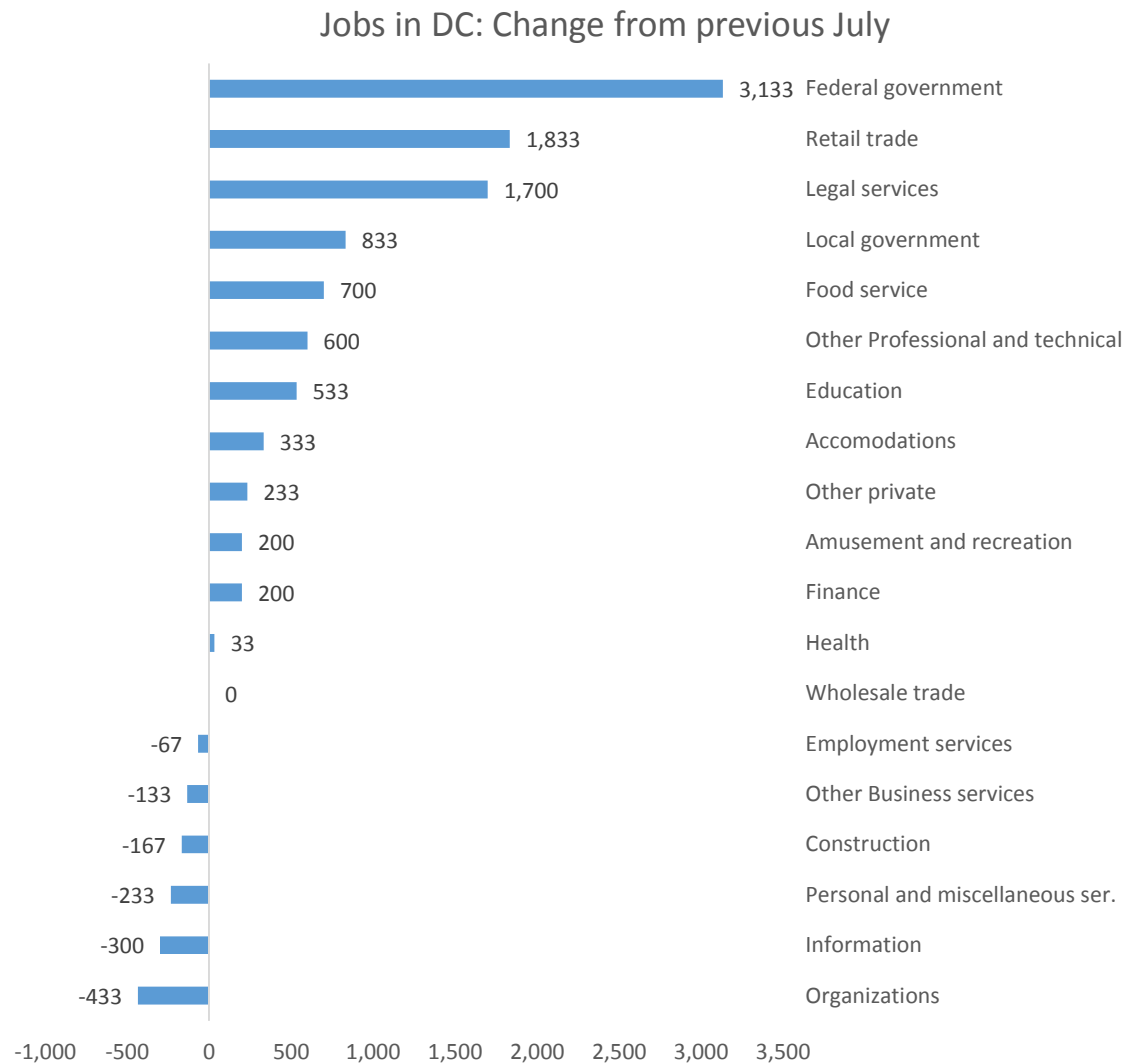
- The increase in July 2016 was less than half what it was a year ago.
- DC's rate of growth in private sector employment is now significantly less than in the US and in the suburbs.
- Slowdown is evident in professional and business services, health, organizations, and food services.

Source: U.S. Bureau of Labor Statistics



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## Growth in federal employment has offset the losses in private sector employment

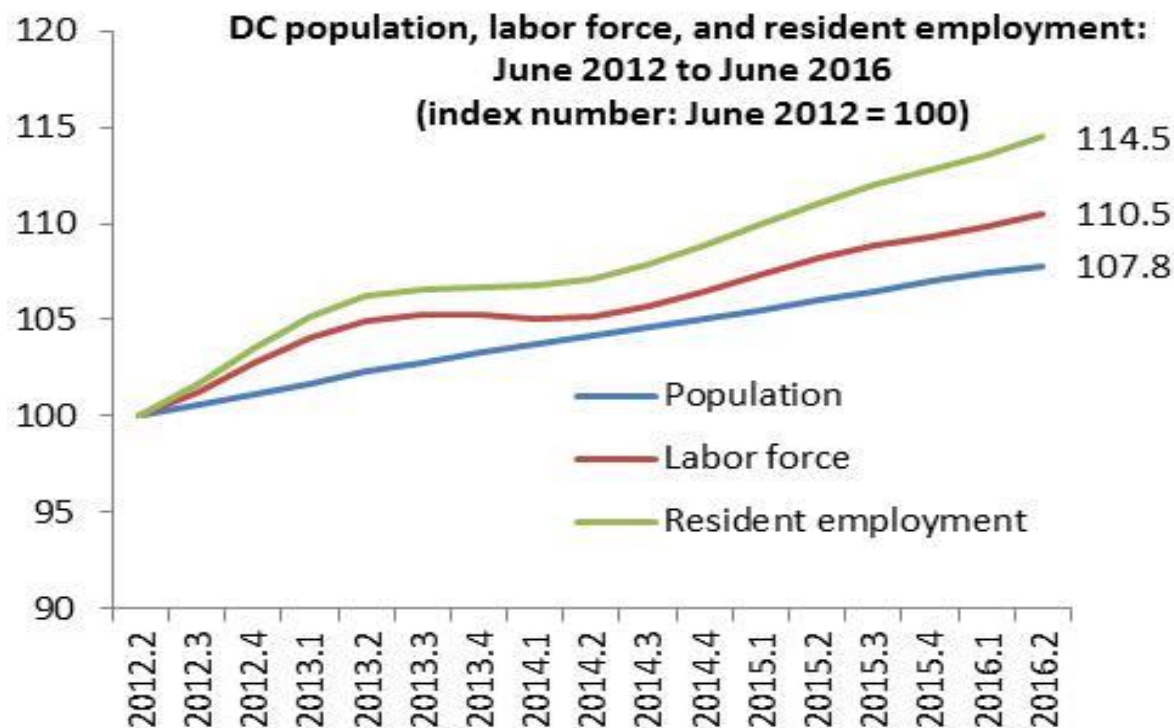


Source: U.S. Bureau of Labor Statistics



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## The number of employed DC residents has been growing faster than both population and labor force



- DC's labor force has been growing faster than population--and resident employment has been growing even faster than the labor force.

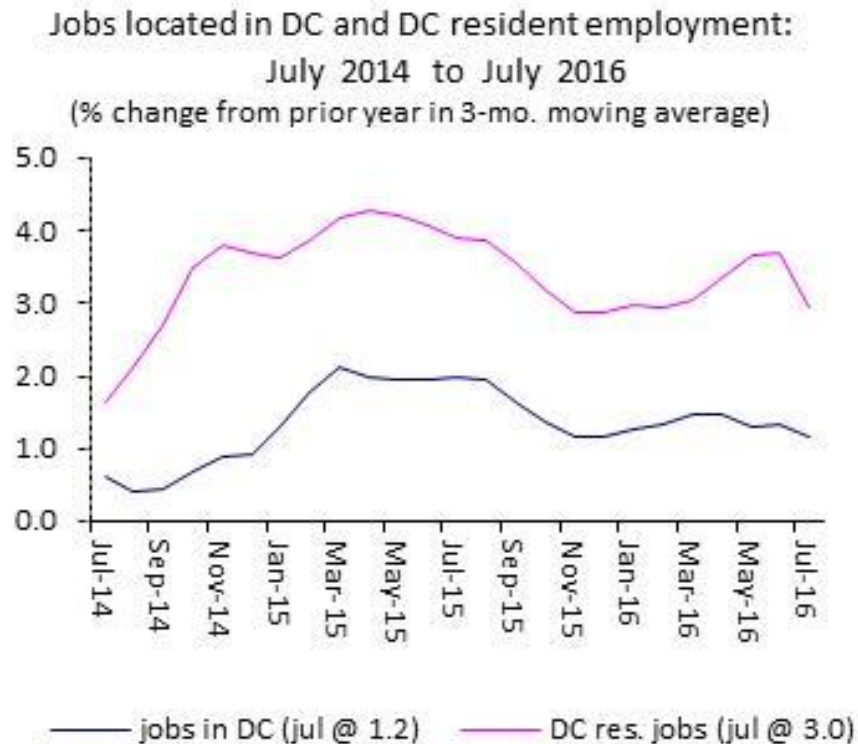
Source: Global Insight (calculated from 12 month moving averages)





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## The number of employed DC residents has been growing faster than jobs located in DC



- Resident employment is growing at a rate more than twice as fast as jobs located in DC. Some of these additional DC workers take new jobs in DC, but others replace retirees who were commuters or commute themselves to the suburbs.

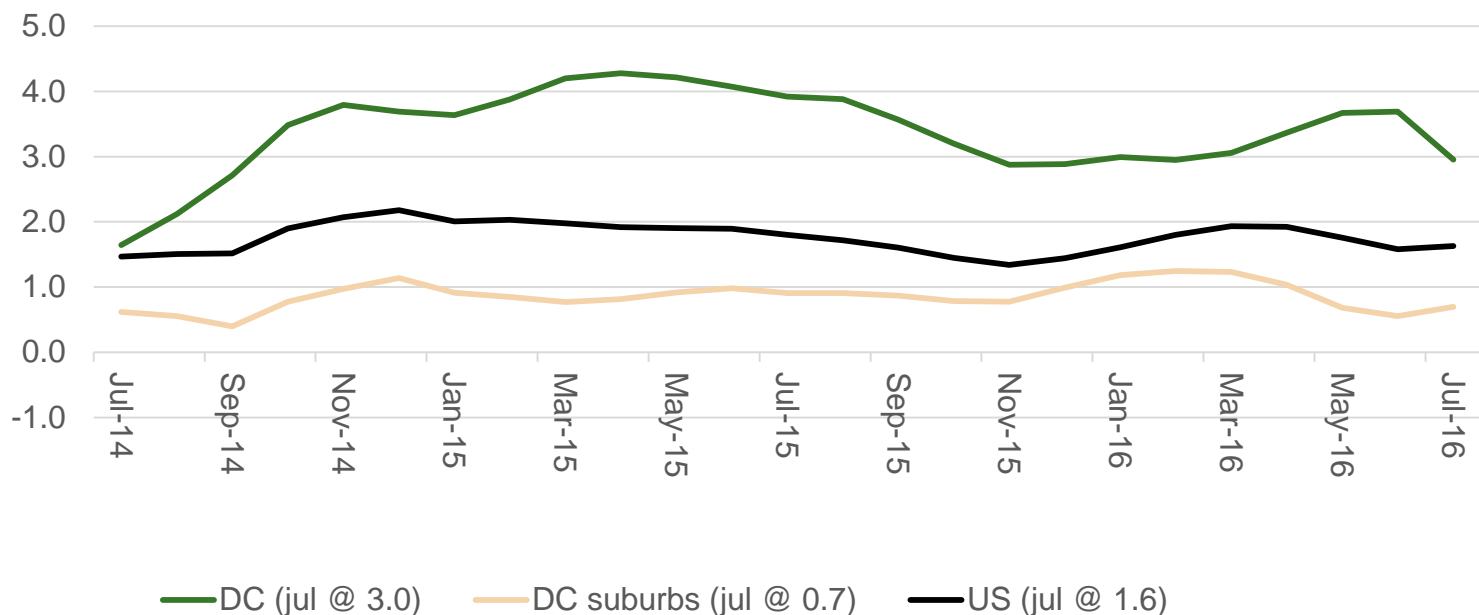
Source: U.S. Bureau of Labor Statistics



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## The number of employed residents has been growing faster in DC than in the suburbs or the US

Resident employment in DC , the DC suburbs, and the US: July 2014 to July 2016  
(% change from prior year in 3-month moving average)



- Resident employment growth rate is more than twice that of the US and four times that of the suburbs.
- Unemployment, 23,400 or 5.9% of the labor force in July 2016 was 6,000 less than two years earlier when the rate was 7.8%.

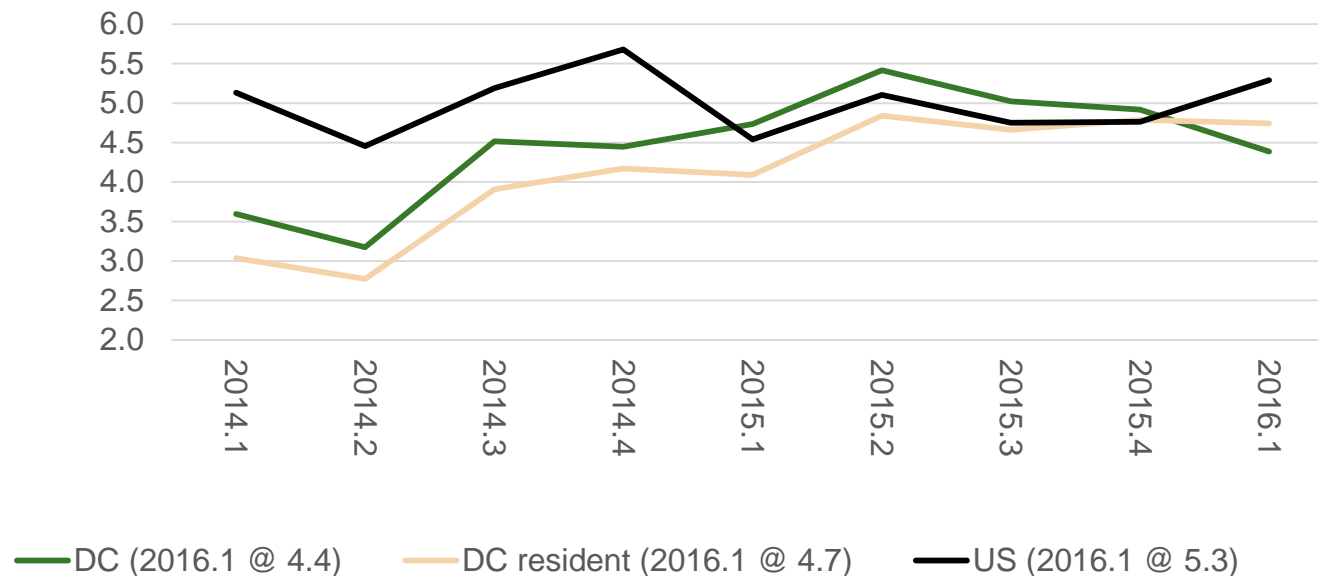
Source: U.S. Bureau of Labor Statistics



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## DC wages are now growing at close to the national average

Wages earned in DC, wages earned by DC residents, and wages earned in the US:  
2014.1 to 2016.1  
(% change from the same quarter of the prior year)



- Wages in DC are now growing at a rate close to the national average.
- Wages and salaries earned by all persons working in DC grew 4.4% in the quarter ending in June 2016, those of DC residents grew 4.7%, and the national average was 5.3%.

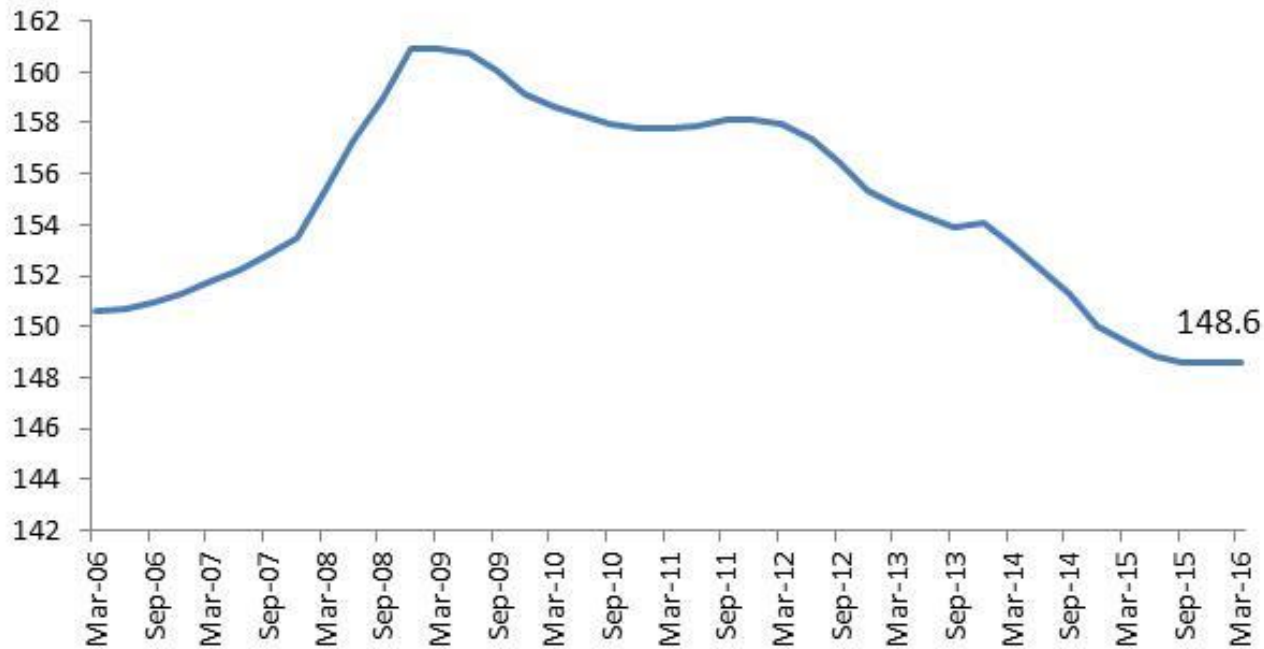
Source: U.S. Bureau of Economic Analysis



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## DC's per capita income continues to grow, but the gap with the US average has been shrinking

DC per capita income as % of US average: March 2006 to March 2016



- DC's per capita income in March 2016 was \$72,458, 49% higher than the US average, and 2.4% higher than a year earlier.
- Income growth for DC residents in the 4% to 5% range is good news for DC revenues and is in line with what we had assumed in our most recent estimate of future DC revenues.

Source: U.S. Bureau of Economic Analysis



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## Outlook and concerns

- **National economy.** A generally favorable national economic environment with steady, moderate GDP growth is expected by the Congressional Budget Office and many economists. However, it has been 7 years since the end of the Great Recession, and about a quarter of a panel of 50 economists who contribute to the Blue Chip Indicators expect a new recession in the next two years.
- **Federal government.** The federal government has been a stabilizing influence for DC and is adding jobs, but the federal deficit remains a concern and sequestration cuts are scheduled again for FY 2018 unless other measures are adopted.
- **Private sector diversification.** With the federal government playing a smaller role in growth and private sector job growth slowing, it is not clear what sectors in the future will drive higher wage DC job growth in an increasingly competitive national economy.
- **Population.** In the short run population growth seems set to continue and boost the tax base. However, the longer term influences of job growth, the quality of public services (especially schools and transportation), and affordable housing opportunities remain to be seen.
- **Stock market.** This important element of DC's tax base is dependent on the uncertainties of national and international capital markets and unexpected events. It has grown very little over the past year.
- **Office market.** The strength of this sector to continue to add to DC's tax base depends on its ability to obtain tenants and remain profitable, and is an area of concern for us at this time.
- **DC Revenue.** DC's financial plan assumes that the tax base will continue to grow as population, jobs, and income increase.